

MEMORANDUM

Date: February 15, 2011

To: Michigan Economic Growth Authority

From: Phil Santer, Project Specialist
Packaging Team

Subject: Briefing Memo – Benteler Automotive Corporation
Standard MEGA Credit

COMPANY NAME

Benteler Automotive Corporation (BAC)
1780 Pond Run
Auburn Hills, Michigan 48326
www.benteler.com

HISTORY OF COMPANY

Benteler Automotive Corporation (“BAC”) is part of the Benteler Group, an international firm with operations in the automotive, steel/tube and distribution industries, with its automotive operations generating the largest portion of its revenue. The Benteler Group employs over 23,000 people worldwide and operates in over 150 locations. The Benteler Group’s customers are located in Germany, Asia and the Americas, as well as other regions.

BAC’s North American operations are headquartered in Auburn Hills, Michigan and include facilities in Indiana, Alabama, South Carolina and throughout Michigan. The company has been in Michigan since 1986 and currently employs 1,081 full-time employees in the state.

PROJECT DESCRIPTION

During the past three years, BAC’s North American business has fluctuated with the general conditions of the automotive industry, which required personnel reductions during the course of the recession. BAC now holds an underutilized headquarters with an expiring lease agreement, in addition to the potential for future job growth at its manufacturing and headquarters locations. As a result, the company is currently making strategic decisions on where to relocate their headquarters and where to place their expected job growth.

The company and its subsidiary and affiliated businesses plan to invest approximately \$3.9 million and create up to 250 jobs over the next five years as a result of this project. Job creation would occur in the City of Auburn Hills, as well as existing locations in the City of Grand Rapids, the City of Wyoming, and Comstock Township. The average weekly wage for the newly created jobs is anticipated to be \$900. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost. The effect on other Michigan businesses in the same industry was taken into consideration when recommending the amount and length of this tax credit.

BENEFIT TO STATE

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, it is estimated that this facility will generate a total of 864 jobs in the state by the year 2015. Total state government revenues through the year 2015, net of MEGA costs, would be increased by \$8.6 million (current dollars) due to the presence of this facility.

BUSINESS CASE

BAC undergoes an internal competitive bid process when determining the location for manufacturing work. The company currently experiences lower wages and lease costs in Alabama and has existing IT assets that could be utilized for this work. In addition, the company's German and Asian customer base will play an important strategic role for BAC over the next few years. These customers' North American facilities are closer to Alabama than its current location. These considerations will affect the company's location of new manufacturing work, as well as the location of their headquarters.

OTHER STATE AND LOCAL ASSISTANCE

The City of Auburn Hills is supportive of the project and will consider a property tax abatement under Public Act 198 of 1974 for this project, in addition to expedited review process for any required permits or inspections. The estimated value of this assistance will depend on the assessed value of the investment and other factors.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 75 percent standard employment tax credit for five years for up to 250 net new employees in excess of the company's established base of 1,086; provided that BAC maintains its North American headquarters in the City of Auburn Hills.